

OFFICE OF THE SECRETARY

FS/L4-3(411022) P
LBP:hs

DEPARTMENT OF THE NAVY

WASHINGTON, D. C.

February 2, 1942

Sirs:

The Acting Secretary of the Navy, by letter dated January 12, 1942, file FS/L4-3(411022), authorized a change in certain cost-plus-a-fixed fee contracts for the construction of Naval vessels and for propelling machinery, in order to provide for delegation to Supervisors of Shipbuilding, Inspectors of Machinery and Inspectors of Naval Material of authority to approve subcontracts hereunder.

In accordance with the provisions of the above referenced letter, the Secretary of the Navy authorizes a change in Contract N01-1441 by deletion of Article 11(g) reading

"In the event that the Department authorizes the Contractor to place subcontracts for materials, equipment, or services on a cost plus a fixed fee basis the Contractor shall be responsible for the integrity of the work and the maintenance of the contract and shall be responsible for the following

and substitution thereof as follows:

"In the event that the Secretary of the Navy, or the Acting Secretary of the Navy, authorizes the Contractor to place subcontracts for materials, equipment, or services on a cost plus a fixed fee basis the Contractor shall be responsible for the integrity of the work and the maintenance of the contract and shall be responsible for the following

...shall have been corrected by the contractor...
...the machinery shall be examined...
...direct. Any defects or deficiencies will be corrected by the contractor as
...Department after which the machinery shall be closed and connected ready
...the cost of correcting defects and deficiencies avoidable by due diligence on
...contractor shall be paid for by it.
...as the Department may reasonably require may be run after the post-trial
...order to prove that all machinery has been properly re-assembled.
(c) If, on the trials and the post-trial examination, the foregoing require-
...shall be fulfilled, and if the various requirements of this contract,
...shall be fully met, the vessel shall be preliminarily accepted and pay-
...made to the contractor as specified in Article 12 hereof.
...the guarantee period hereinafter defined the vessel shall be finally tried,
...equipped and armed and in all respects complete and ready for sea, under
...scribed by the Secretary of the Navy; the expenses of such final trial shall be
...Department. If any weakness, deficiency, defect, failure, breaking down, or
...the vessel for which the contractor is responsible shall develop within such
...it shall be corrected and repaired to the satisfaction of the Secretary of
...it shall be determined that such weakness, deficiency, defect, failure, break-
...deterioration in the vessel was due to an avoidable cause, the cost of correct-
...deficiencies avoidable by due diligence on the part of the contractor shall
...Such guarantee period shall be the six (6) months' period immediately
...of preliminary acceptance extended by the time, if any, but only such
...deficiency, defect, failure, breaking down, or deterioration for which the
...responsible. The contractor may, if it so desires, and if the expense of the
...have an engineer of its own selection, who is acceptable to the Department,
...vessel at any time during said period, who shall have full authority to
...inspect the working of the vessel in all its parts, but without any directing or
...over the same.
...the expiration of the guarantee period, determined as specified above, the
...finally accepted, and final settlement shall be made as provided in Article 12
(d) The Department will pay for each vessel to be constructed and furnished
...with this contract the true cost, as determined by the Compensation Board,
...for profit of five hundred forty-five thousand dollars (\$545,000), which is
...seven percent (7%) of the estimated cost of \$7,785,715 dollars (\$7,785,715).
...cost is subject to revision by the net estimated increase resulting from
...as provided in Article 6 hereof. If the estimated cost shall be
...amount equal to seven percent (7%) of such increase shall be added to the
...hereunder.
...for the purpose of determining the amount payable under this contract, costs
...by the Compensation Board substantially in accordance with the pro-
...provisions as set forth in the Regulations promulgated by the Treasury
...approved by the Secretary of the Navy August 6, 1910 (T. D. 5990).
...contractor shall maintain accurate accounts and records appertaining to the
...this contract, and such accounts and records shall be open at all times to
...and its representatives. Statements and returns relative to expenditures
...and when directed by the Department. All information obtained from
...accounts and records will be treated as confidential.
...event that the Department authorizes the contractor to place subcontracts
...for equipment, or services on a cost-plus-a-fixed-fee basis the foregoing pro-
...the determination of costs and the maintenance of records and accounts
...to such subcontracts.
(e) The Department will make semimonthly payments, as earned, for the
...constructed and furnished in accordance with this contract within fifteen
...receipt of certified bills to cover costs, as determined by the Compensation
...by the contractor during the preceding month: *Provided*, That payments
...are frequently if expenditures by the contractor justify such action: *Pro-*
...that no payment shall be less than one percent (1%) of the aforesaid esti-
...which vessel covered by this contract.
...on account of the fixed fee shall be made as follows: To the total
...improved monthly bills of true costs of the vessels shall be added six per-
...Such payments on account of the fixed fee shall be continued until
...thus paid shall equal four hundred and ninety-five thousand dollars
...each vessel; the balance of the aforesaid fixed fee, adjusted to cover any
...from authorized changes as provided in Article 11 (a) hereof, less the
...reservations provided for in paragraph (c) of this article, shall be paid in
...ment.
...liminary acceptance of each vessel, payment to the contractor shall be
...that shall be determined as follows: From the unpaid balance of true
...fixed fee adjusted for increases or decreases therein resulting from duly
...es shall be deducted the cost of correcting defects and deficiencies avoid-
...on the part of the contractor and a special reserve of one hundred
...(\$100,000) on account of such vessel. The said special reserve shall be
...guarantee period. The maximum liability of the contractor for each ves-
...of this contract shall be limited to the sum of \$125,000 inclusive of the
...of \$100,000 which special reserve shall be available in the full amount
...the cost of remedying defects and deficiencies developing within the said
...*Provided, however*, That said maximum liability shall not apply in case
(f) and (d) of the original form of contract were deleted before execution of this contract.
...Navy, subsequent to the execution of this contract, by letter dated November 12, 1910, ordered the sub-
...paragraph for the original collective liability clause, which is printed above:
...contract to the contrary notwithstanding, the total cost, with respect to each vessel, chargeable to the
...and remedying any weaknesses, deficiencies, defects, failures, breaking down or deterioration which
...the guarantee period shall not exceed the amount of the special reserve withheld pursuant to the pro-
...of this article by more than twenty-five thousand dollars (\$25,000).
...was changed by above mentioned letter to Art 12(e)

DEPARTMENT OF THE NAVY
NAVY BUILDING, WASH. D. C.

DEPARTMENT OF THE NAVY
NAVY BUILDING, WASH. D. C.
1022), authorized
fixed-fee contracts for
and for propelling machi-
tion to Supervisors of
and Inspectors of
subcontracts thereunder.

the event that the Department
the Contractor to place
for any materials, equip-
on a cost-plus-a-fixed-fee
foregoing provisions concern-
termination of costs and
of records and accounts
to such subcontracts.

the event that the Secretary
the Chief of the Bureau
authorized representative
contractor to place subcontracts
materials, equipment, or
of a fixed price subject
in the cost of labor and
st-plus-a-fixed-fee basis
visions concerning the
nd maintenance of records
ll be applicable to such

Preliminary
acceptance

Guarantee period

Acceptance

Cost and fee

Determination of
cost

Records

Subcontracts

Payments

Payment of fixed
fee

Preliminary
settlement

Special reserve

of termination of the contractor's right to proceed with the work as provided in Article 10 (a) of the General Provisions.
(c) Final payment of the balance due the contractor will be made as provided in the General Provisions.

Final settlement.

Modification of contract.

Limitation of profit.

ART. 13. If and when the interests of the National Defense so require, the Secretary of the Navy may, in agreement with the contractor, modify this contract to a fixed price adjusted for labor and material form of contract.

ART. 14. The contractor hereby expressly agrees to comply, during the period prescribed by law, with the provisions of Section 8 of the act approved March 27, 1934 (U. S. Code, title 34, sec. 496), as amended by the acts approved June 25, 1936 (U. S. Code, title 34, sec. 496, Sup. V), April 3, 1939 (U. S. Code, title 34, sec. 496, Sup. V), and June 1940 (Public. No. 671, 76th Cong.), and regulations issued in pursuance thereof.

ART. 15. The following changes were made in the contract before it was signed by the parties below:

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

W. B. Woodson,
Judge Advocate General

THE UNITED STATES OF AMERICA
H. S. JAMES FORRESTAL,
Acting Secretary of the Navy

A. J. JAMES FORRESTAL,
Acting Secretary of the Navy

FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D. C.
J. E. L. L. L. L.

W. B. Woodson,
Judge Advocate General

A. R. C. C. C.

I, J. E. L. L. L. L., do hereby certify that the foregoing is a true and correct copy of the contract between the United States of America and the contractor, and that the same has been approved by the Secretary of the Navy.

GENERAL PROVISIONS

OF CONTRACTS FOR THE CONSTRUCTION OF NAVAL VESSELS

These General Provisions are to supplement the clauses in the Navy Department Standard-Form contract for the construction of naval vessels and the contract award and entering into contract is referred to the contractor and the United States of America as the Department.

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WITNESS WHEREOF, the parties hereto have caused the above written.

W. B. WOODSON,
Judge Advocate General.

MRS. FORESTAL,
Secretary of the Navy.

F. BOCK.

R. CONWAY.

J. McWilliams, certify that I am the assistant...
as then president of said corporation; that said...
of said corporation by authority of its governing...
ate powers.

Confidential

Employment of

National Defense

Special plant

Working plans

such other contractor, or (e) any license for the use of any patented article or invention shown or listed in said plans, etc.

Prompt action on plans.

Plans requiring the approval of the Department will be submitted by the contractor to the Department promptly after they shall have been prepared and the Department will promptly act on them and return them to the contractor. In returning any of such plans to the contractor, the Department shall release work, if practicable, subject to changes or modifications therein acceptable to the contractor, and the contractor will promptly make such changes or modifications and return such plan as so modified or changed to the Department, and promptly upon the receipt thereof the Department will act on it and return it to the contractor.

Plans furnished by contractor.

In case the Department, pursuant to the provisions of this contract, shall furnish or cause to be furnished to the contractor copies of plans, booklets, material schedules, material orders, lists, etc., for use in the construction of the vessel/vessels, the Department shall not be under any duty to review such copies of plans, etc., prior to the delivery thereof to the contractor. The contractor shall correct obvious errors in such copies of plans, etc., make all changes therein necessary to adapt them to the methods and facilities in use at the plant of the contractor and shall refer its corrections and/or changes to the Supervisor of Shipbuilding for approval.

The Department reserves the right to require the contractor to perform any one or more of the following services, all of which are to be in addition to those relating to the working and finished plans, booklets, etc., which the specifications require to be furnished by the contractor:

(A) Furnish, to such other contractors as may be designated by the Department such copies of working and finished plans, booklets, material schedules, and material orders, lists, etc., as may be necessary for constructing vessels similar thereto (as a matter of arrangement between the contractors and at the cost of reproduction) which shall have been prepared by the contractor for use in constructing the vessel/vessels under this contract.

(B) Furnish to the Supervisor of Shipbuilding, for such use by the Department as it may desire, any part or all of the following items:

(a) One or more blueprints of each plan applicable to the vessel prepared or purchased for use in constructing the vessel/vessels.

(b) One "See-B" tracing and one check blueprint of each plan prepared or purchased by the contractor for use in constructing the vessel/vessels.

(c) If alterations are made in an approved plan of which a "See-B" tracing or a blueprint already has been furnished, a "See-B" tracing or a blueprint of the plan as altered, or a description in writing of the alteration, as determined by the Supervisor of Shipbuilding.

(d) One copy of each material schedule and material order, and a copy of prices, which shall have been prepared by the contractor for use in constructing the vessel/vessels.

receipt by the contractor of plans and specifications

Within 12 months after the date of the "See-B" tracings of plans showing the outline dimensions, foundation sections, and locations of pipe connections in each of the following units to be installed on the vessel/vessels:

- (1) Ship's service turbine driven generators.
- (2) All Diesel-driven generators.
- (3) Ship's service generator switchboard and voltage regulators.
- (4) Forced-draft blowers.
- (5) All pumps.
- (6) All air compressors.

The furnishing of all such blueprints, "See-B" tracings, material schedules, and material orders required to be furnished in accordance with the provisions of this paragraph (B), will be treated as a change under this contract.

(C) Assemble and deliver to the Department when the vessel designated by the Department is completed, any part or all of the following relating thereto, which are for use in constructing other vessels:

(a) A reproduced tracing of each of the working plans, corrected to show all changes made during the construction period. An index in convenient form showing the order in which the plans were required for use by the contractor, shall be furnished separately. The faired mold loft offsets shall be included with such plans.

Tracings and index

(b) A corrected copy of the allowance list, in form suitable for distribution.

Allowance list and sheets

(c) One copy of each of the steel schedule sheets, showing all changes and corrections made during the construction period, sufficiently legible to permit blueprinting. On such schedule sheets shall be listed all plates and shapes entering into the construction of the aforesaid vessel, whether on mill or yard schedules.

List of material

(d) Lists of all material (other than those covered by subparagraphs (b) and (c) of this paragraph (C)) used in the construction, equipping, and outfitting of the aforesaid vessel. There shall be shown on such lists the item, quantity, name of manufacturer, time interval from the date of order to the date of receipt, and the date on which such material was installed in the aforesaid vessel or on which the construction thereof had advanced to where it could have been installed thereon. While it is desirable that such lists be as complete as possible and cover material whether specially ordered by the contractor or taken from stock or include in its requisitions for services, etc., such lists shall not be so complicated as to defeat their purpose of expediting the work of a building yard. One copy of each requisition and specification for material having special characteristics shall be furnished in duplicate to each list.

(e) A curve of installation by a outline of the total work, showing the location of the shops and on the aforesaid vessel, showing the distribution of the work, and the location of the shops and material.

(f) A list of all subcontractors, showing the name of the subcontractor, the nature of the work, and the location of the shops and material.

(g) A list of all subcontractors, showing the name of the subcontractor, the nature of the work, and the location of the shops and material.